

Message Text

PAGE 01 STATE 049661
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 INRE-00 /026 R

DRAFTED BY: NEA/ARN:MDRAPER
APPROVED BY: INR:MR SAUNDERS
NEA:MR. BRUBECK
S/S-O:SVALERGA
NEA:MR. VELIOTES
DESIRED DIST: INR AND NEA DISTRIBUTION ONLY
-----047851 270242Z /64

O 252203Z FEB 78
FM SECSTATE WASHDC
TO AMCONSUL JERUSALEM IMMEDIATE
INFO AMEMBASSY AMMAN IMMEDIATE

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STADIS////////////////////////////////////
EXDIS, FOR ATHERTON; AMMAN FOR AMBASSADOR

C O R R E C T E D C O P Y (TEXT PORTIONS PARA 5 AND 8 OMITTED)

E.O. 11652:XGDS-1

TAGS: MASS, PEPR, JO, XF

SUBJECT: YOUR FORTHCOMING MEETING WITH HUSSEIN: BACKGROUND
ON HUSSEIN'S NEEDS

REF: STATE 44128

1. ISSUE: BEGINNING IN DECEMBER, HUSSEIN HAS BEEN MAKING
CLEAR HE WOULD NEED FIRM U.S. SUPPORT IN SEVERAL AREAS IF
HE WERE TO CONSIDER ENTERING THE NEGOTIATIONS DIRECTLY. HE
IS FEARFUL OF THE POTENTIAL PRESSURES WHICH MIGHT BE AP-
PLIED (E.G., CLOSURE OF THE SYRIAN BORDER, DENIAL OF AIR
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SPACE FOR JORDANIAN AIRLINES, STEPPED-UP MILITARY AND
TERRORIST THREATS FROM IRAQ, THE PALESTINIANS, ETC... DRAW-
ING ON HIS TALKS WITH THE KING, PICKERING IN RECENT CABLES
HAS REFINED HUSSEIN'S THOUGHTS AND HAS CONCLUDED THAT HE
INTER ALIA WILL BE SEEKING: (A) ACCELERATED DELIVERY OF
SOME MILITARY ITEMS ALREADY ON ORDER; (B) STEPPED-UP MOD-
ERNIZATION OF HIS ARMED FORCES; (C) ACCESS TO CERTAIN HIGH
TECHNOLOGY ITEMS, INCLUDING POSSIBLY FS-16S, IN THE 1980S;
(D) SUPPLEMENTARY MILITARY ASSISTANCE FUNDING IN FY 79
AND POSSIBLY EXPANDED LEVELS IN LATER FISCAL YEARS; (E)

POSSIBLY AN EXPANDED ECONOMIC ASSISTANCE PROGRAM WHICH WE GUESS WOULD CONCENTRATE ON BUDGET SUPPORT; (F) AND U.S. INTERCESSION TO ASSURE SAUDI BACKING FOR HUSSEIN, POLITICALLY AND IN ENHANCED FINANCIAL ASSISTANCE.

2. ANALYSIS: MILITARY PROGRAMS. OMITTING THE EXHORBITANTLY EXPENSIVE EMERAD 30 ANTI-AIRCRAFT SYSTEM AND ADDITIONAL COBRA HELICOPTERS, WE BELIEVE HUSSEIN COULD OBTAIN THE BULK--BUT PROBABLY NOT ALL--OF HIS SHORT-RANGE BASIC MILITARY EQUIPMENT NEEDS WITHIN OUR PLANNED MILITARY ASSISTANCE PROGRAMS THROUGH FY 79. DOD IS PRESENTLY ANALYZING JORDAN'S NEEDS, BASED ON A WISH LIST GIVEN THE SECRETARY BY HUSSEIN, AND IS BEGINNING A DIALOGUE WITH EMBASSY AMMAN ON THE SUBJECT. EVEN IF WE WERE CONVINCED THAT HUSSEIN WOULD ENTER THE NEGOTIATIONS AND WOULD DESERVE SOME ADDED MILITARY EQUIPMENT HELP, IT WOULD STILL BE TOO EARLY TODAY TO SAY THAT A FY 1979 SUPPLEMENTAL SHOULD BE CONSIDERED. WE MAY BE ABLE TO ACCOMPLISH AS MUCH IN FY 80-81 PROGRAMS, TAKING INTO ACCOUNT JORDAN'S ABSORPTIVE CAPACITY.

3. A MAJOR JORDANIAN-SAUDI PROBLEM HAS EMERGED IN RECENT WEEKS, SERIOUSLY COMPLICATING THE CARRYING OUT OF PRESENT U.S. MILITARY ASSISTANCE PROGRAMS FOR JORDAN AS WELL AS PLANNING FOR FUTURE YEARS. THE SAUDIS HAVE NOW INDISCRET

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CATED THEY WILL NO LONGER GUARANTEE U.S. FMS LOANS TO JORDAN. IN A JANUARY AGREEMENT, THE SAUDIS AGREED TO TURN OVER TO JORDAN A TOTAL OF DOLS 150 MILLION OVER A PERIOD OF SEVERAL YEARS, SO THAT JORDAN WOULD PAY WHAT IS OWED FOR ITS FY 75 AND 76 SAUDI GUARANTEED FMS LOANS, WITH WHAT IS LEFT OVER TO BE USED AS JORDAN WISHES. AS MATTERS NOW STAND, THERE IS NO IMMEDIATE PROSPECT THAT SAUDI ARABIA WILL EASILY GUARANTEE THE PAYMENT OF FISCAL 77, 78 AND 79 LOANS TOTALING DOLS 235 MILLION.

4. PICKERING BELIEVES THAT THERE IS NO VIABLE WAY IN WHICH JORDAN COULD PAY OFF THESE LOANS WITH ITS OWN RESOURCES. STRICTLY SPEAKING, WITH ITS IMPROVING ECONOMY AND FINANCIAL RESERVES, JORDAN THEORETICALLY COULD DO SO, BUT IT WOULD REQUIRE DRASTIC CHANGES IN CONSERVATIVE FISCAL MANAGEMENT POLICIES AND IT COULD ADD SUBSTANTIALLY TO INFLATIONARY PROBLEMS. THERE WOULD BE IMPORTANT DOMESTIC POLITICAL CONSEQUENCES. REALISTICALLY, WE CANNOT EXPECT JORDAN TO ACCEPT SUCH A FINANCIAL BURDEN. IN SUPPORT OF THIS CONCLUSION, JORDAN WAS APPARENTLY UNWILLING TO COUGH UP NINE-PLUS MILLION TO PREVENT DEFAULT ON FY 76 FMS LOAN AND RECOUP LATER WHEN SAUDIS MAKE GOOD ON FIRST INSTALLMENT OF DOLS 150 MILLION PROGRAM MENTIONED ABOVE, DESPITE SERIOUS IMPLICATIONS FOR JORDAN'S FUTURE FMS PROGRAMS. AS RESULT, DOD ON FEB. 22 PAID THE ARREARAGES AND MUST RECOVER FROM EITHER SAUDI ARABIA OR JORDAN.

5. ANALYSIS: ECONOMIC PROGRAMS. THE TOTAL OF MILITARY AND ECONOMIC ASSISTANCE PROJECTS FOR FY 79, INCLUDING PL480, IS DOLS 283.8 MILLION. OF THIS, DOLS 143 MILLION IS IN SECURITY SUPPORTING ASSISTANCE. THIS IS ABOUT ALL THE TRAFFIC CAN BEAR IN THE JUDGMENT OF MOST PEOPLE HERE. IT MAKES JORDAN EASILY THE SECOND LARGEST RECIPIENT OF U.S. ASSISTANCE (MILITARY AND ECONOMIC) MEASURED ON A PER CAPITA BASIS. IF HUSSEIN ASKS FOR MONEY IN THIS AREA, IT MIGHT BE FOR BUDGET SUPPORT. WITH JORDAN'S GROWING
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RESERVES AND ITS PROMISING ECONOMY, IT HAS BECOME INCREASINGLY DIFFICULT TO DEFEND ANY RPT ANY BUDGET SUPPORT IN THE CONGRESS.

6. ANALYSIS: THE SAUDI FACTOR. WE BELIEVE HUSSEIN WILL HAVE TO MAKE A MAJOR PERSONAL EFFORT--PROBABLY BY GOING TO SAUDI ARABIA--TO PATCH UP JORDANIAN-SAUDI DIFFERENCES, PARTICULARLY IN THE MILITARY ASSISTANCE FIELD. MUCH OF THE SAUDI BUREAUCRACY IS TOTALLY EXASPERATED WITH JORDAN AND JORDAN'S "STYLE" IN DEALING WITH THE SAUDIS (E.G., THE DOLS 140 MILLION FIASCO, PUTTING PRESSURE ON THE SAUDIS TO PAY FOR THE PAY RAISE OF THE JORDANIAN ARMED FORCES, ETC.). HUSSEIN WILL HAVE TO STRIKE A NEW DEAL WITH FAHD AND KHALID, BUT HE WILL WANT OUR SUPPORT. FOLLOWING HUSSEIN'S MEETING WITH THE SECRETARY IN TEHRAN, WE SPOKE TO THE SAUDIS ON HUSSEIN'S BEHALF ABOUT GUARANTEEING THE FY 77 AND 78 FMS LOANS. THE SAUDIS STRONGLY RESENTED OUR EFFORT.

7. IN THE ABSENCE OF SAUDI OR GULF STATES GUARANTEES OF FINANCIAL ASSISTANCE FOR THE FMS LOANS, AND GIVEN THE PRESUMED JORDANIAN UNWILLINGNESS TO ACCEPT THIS DEBT BURDEN UNILATERALLY, WE MIGHT HAVE TO CONSIDER HELPING JORDAN THROUGH SUCH CONCEPTS AS PARTIAL FORGIVENESS OF FUTURE FMS LOANS. THIS WOULD SET A BAD PRECEDENT SINCE ONLY ISRAEL ENJOYS THIS STATUS AND IT WOULD FLY IN THE FACE OF THE ADMINISTRATION'S HOPE TO PHASE DOWN GRANT MILITARY PROGRAMS BY WHATEVER NAME. IF, HOWEVER, JORDAN JOINED THE NEGOTIATIONS, CONGRESS MIGHT BE IN A MOOD TO BE HELPFUL, PRESUMING THAT HUSSEIN'S DECISION TO PROVIDE A LIMITED DEGREE OF MILITARY TRAINING TO LIBYA DID NOT COMPLICATE MATTERS.

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8. FOLLOWING IS A CHECKLIST OF POLICY DECISIONS WHICH MIGHT BE INVOLVED IN ASSISTING HUSSEIN INTO THE NEGOTIATIONS OR IN BACKING HIM ONCE HE HAS DECIDED TO DO SO. WE WOULD ENCOUNTER ROUGH PASSAGE ON ALMOST ALL.

-- NOTIFYING CONGRESS IN FY 78 RATHER THAN 79 OF THE SALE OF NINE TOW-MOUNTED HELICOPTERS (PROBABLY THE EASIEST TO ACCOMPLISH).

GETTING RESCHEDULED ITEMS UNDER GLOBAL ARMS CEILING IN FY 78 AND 79

-- EXPANDING THE SALE OF THESE HELICOPTERS FROM 9 (31.5 MILLION, NOT COUNTING SUPPORT) TO AS MANY AS 24 (84 MILLION, NOT COUNTING SUPPORT).

-- DECIDING IN PRINCIPLE TO GIVE JORDAN ADDITIONAL RED-EYES WHEN THEY ARE PHASED OUT OF THE U.S. INVENTORY SOME YEARS HENCE (JORDAN ALREADY HAS REDEYES BUT WANTS MORE).

-- REEXAMINING THE POSSIBILITY OF DIVERTING ARTILLERY FROM CERTAIN COUNTRIES IN ORDER TO MEET JORDAN'S NEEDS SOONER.

-- CONSIDERING EITHER A SUPPLEMENTAL IN GRANT MAP OR FMS LOANS FOR FY 79.

-- CONSIDERING A SUPPLEMENTAL IN SSA IN 1979.

-- INTERCEDING WITH THE SAUDIS AGAIN ON HUSSEIN'S BEHALF TO OBTAIN, AT A MINIMUM, SAUDI GUARANTEES OR THE EQUIVALENT IN FUNDING THROUGH OTHER MEANS FOR THE FY 77, 78 AND 79 FMS PROGRAMS FOR JORDAN.

-- POSSIBLE INTERCESSION WITH CERTAIN GULF STATES WITH THE SAME OBJECTIVE.

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-- IF INTERCESSION WITH THE SAUDIS AND OTHERS IS UNSUCCESSFUL, OR ONLY PARTIALLY SUCCESSFUL, CONSIDERATION OF OTHER MEANS OF FINANCING, INCLUDING: (A) A NEW APPROACH TO JORDAN'S DEBT MANAGEMENT, OR UNILATERAL U.S. (GRANT) FUNDING THROUGH "FORGIVENESS" OR OTHER ARRANGEMENTS.

-- AGREEMENT IN PRINCIPLE TO DISCUSS IN JOINT MILITARY COMMISSION JORDAN'S AIRCRAFT NEED IN 1980'S.

9. YOUR STANCE IN AMMAN: WE ARE PRESUMING THAT YOUR TALKS IN AMMAN WITH HUSSEIN WILL PROVIDE A BETTER FEEL AS TO WHETHER WE MAY HAVE TO CONSIDER SOME OF THE POLICY DECISIONS NOTED ABOVE (PARA 8). OUR VIEW IS THAT, IN LINE WITH THE STRATEGY PAPER FOR YOUR PRESENT MISSION, YOU SHOULD FOCUS PRIMARILY ON ENCOURAGING HUSSEIN TO CONSIDER ENTERING THE NEGOTIATIONS. YOU SHOULD ARGUE THE MERITS OF THIS APPROACH AND TRY TO AVOID BEING PRESSED ABOUT WHAT WE MIGHT DO TO BE HELPFUL. WITH THIS IN MIND, WE BELIEVE YOU

SHOULD AVOID URGING HUSSEIN TO WORK OUT HIS DIFFERENCES
WITH THE SAUDIS OVER MILITARY FUNDING, BUT THAT AMBASSADOR
PICKERING SHOULD DO SO AT THE APPROPRIATE MOMENT.

10. CONCRETE EVIDENCE OF THE CONSTANCY OF U.S. SUPPORT
CAN BE FOUND IN THE FOLLOWING ;ABLE, INDICATING THAT U.S.
ASSISTANCE OF ALL KINDS THROUGHOUT THE YEARS THROUGH FY
'79 WILL TOTAL DOLS 2.3 BILLION.

-- TOTALS THROUGH FY 1979: (IN MILLIONS)

FMS LOANS	416.5 DOLS
MAP	478.9
TRAINING	9.9
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TOTAL MILITARY 905.3

BUDGET SUPPORT	813.1
LOANS, TECHNICAL ASSIST.	336.5
MAQARIN	50.0
TOTAL ECONOMIC	1,199.6

TOTAL PL 480 193.3

TOTAL ALL ASSISTANCE 2,298.2

11. ABOVE IS UNCLEARED STAFFWORK FOR YOUR BACKGROUND ONLY.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, BRIEFING MATERIALS, FOREIGN ASSISTANCE, TERRORISTS, BORDER CONTROLS, NEGOTIATIONS, PEACE PLANS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 feb 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE049661
Document Source: ADS
Document Unique ID: 00
Drafter: NEA/ARN:MDRAPER
Enclosure: n/a
Executive Order: 11652 XGDS-1
Errors: n/a
Expiration:
Film Number: D780094-0132, D780088-0549
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197802120/baaafbyl.tel
Line Count: 252
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 10a0b5cf-c288-dd11-92da-001cc4696bcc
Office: ORIGIN SS
Original Classification: SECRET
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: ONLY
Reference: STATE 44128
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3476209
Secure: OPEN
Status: NATIVE
Subject: YOUR FORTHCOMING MEETING WITH HUSSEIN: BACKGROUND ON HUSSEIN'S NEEDS
TAGS: MASS, PEPR, MPOL, JO, XF, US, (HUSSEIN I), (ATHERTON, ALFRED L)
To: JERUSALEM INFO AMMAN
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/10a0b5cf-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014